

Yale University

EliScholar – A Digital Platform for Scholarly Publishing at Yale

Discussion Papers

Economic Growth Center

7-1-2009

Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila

Dean Karlan

Jonathan Zinman

Follow this and additional works at: <https://elischolar.library.yale.edu/egcenter-discussion-paper-series>

Recommended Citation

Karlan, Dean and Zinman, Jonathan, "Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila" (2009). *Discussion Papers*. 984.
<https://elischolar.library.yale.edu/egcenter-discussion-paper-series/984>

This Discussion Paper is brought to you for free and open access by the Economic Growth Center at EliScholar – A Digital Platform for Scholarly Publishing at Yale. It has been accepted for inclusion in Discussion Papers by an authorized administrator of EliScholar – A Digital Platform for Scholarly Publishing at Yale. For more information, please contact elischolar@yale.edu.

ECONOMIC GROWTH CENTER
YALE UNIVERSITY
P.O. Box 208629
New Haven, CT 06520-8269
<http://www.econ.yale.edu/~egcenter/>

CENTER DISCUSSION PAPER NO. 976

Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila

Dean Karlan

Yale University

Innovations for Poverty Action

Jameel Poverty Action Lab

Financial Access Initiative

Jonathan Zinman

Dartmouth College

Innovations for Poverty Action

July 2009

Notes: Center Discussion Papers are preliminary materials circulated to stimulate discussions and critical comments.

Thanks to Jonathan Bauchet Luke Crowley, Dana Duthie, Mike Duthie, Eula Ganir, Kareem Haggag, Tomoko Harigaya, Junica Soriano, Meredith Startz and Rean Zarsuelo for outstanding project management and research assistance. Thanks to Nancy Hite, David McKenzie, David Roodman, and seminar participants at the Center for Global Development for helpful comments. Thanks to the Bill and Melinda Gates Foundation and the National Science Foundation for funding. Special thanks to John Owens and his team at the USIAD-funded MABS program for help with the project. Any views expressed are those of the authors and do not necessarily represent those of the funders, MABS or USAID. Above all we thanks the Lender for generously providing the data from its credit scoring experiment. Dean.karlan@yale.edu; jzinman@dartmouth.edu.

This paper can be downloaded without charge from the Social Science Research Network electronic library at: <http://ssrn.com/abstract=1444990>

An index to papers in the Economic Growth Center Discussion Paper Series is located at: <http://www.econ.yale.edu/~egcenter/publications.html>

Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila

Dean Karlan
Yale University
Innovations for Poverty Action
M.I.T. Jameel Poverty Action Lab
Financial Access Initiative

Jonathan Zinman
Dartmouth College
Innovations for Poverty Action

July 2009

ABSTRACT

Microcredit seeks to promote business growth and improve well-being by expanding access to credit. We use a field experiment and follow-up survey to measure impacts of a credit expansion for microentrepreneurs in Manila. The effects are diffuse, heterogeneous, and surprising. Although there is some evidence that profits increase, the mechanism seems to be that businesses *shrink* by shedding unproductive workers. Overall, borrowing households substitute away from labor (in both family and outside businesses), and into education. We also find substitution away from formal insurance,

along with increases in access to informal risk-sharing mechanisms. Our treatment effects are stronger for groups that are *not* typically targeted by microlenders: male and higher-income entrepreneurs. In all, our results suggest that microcredit works broadly through risk management and investment at the household level, rather than directly through the targeted businesses.

Keywords: microfinance, microcredit, microentrepreneurship, risk sharing, formal and informal finance

JEL Codes: O1, D1, D2, G2

Microfinance is a proven and cost-effective tool to help the very poor lift themselves out of poverty and improve the lives of their families (Microcredit Summit Campaign)¹

It is easy to construct examples where... the mere possibility that a new outsider might enter the market can crowd-out existing local contracting, leading to the possibility of a decline in welfare
(Conning and Udry 2005)

I. Introduction

Microcredit is an increasingly common weapon in the fight to reduce poverty and promote economic growth. Microlenders typically target women operating small-scale businesses and traditionally uses group lending mechanisms. But as microlending has expanded and evolved into what might be called its “second generation,” it often ends up looking more like traditional retail or small business lending: for-profit lenders, extending individual liability credit, in increasingly urban and competitive settings.²

The motivation for the continued expansion of microcredit, or at least for the continued flow of subsidies to both nonprofit and for-profit lenders, is the presumption that expanding credit access is a relatively efficient way to fight poverty and promote growth. Yet despite often grand claims about the effects of microcredit on borrowers and their businesses (e.g., the first quote above), there is relatively little convincing evidence in either direction. In theory, expanding credit access may well have null or even negative effects on borrowers. Formal sector access could crowd-out relatively efficient informal credit and insurance mechanisms (see the second quote above). The often high cost of microcredit (60% APR in our setting) means that high returns to capital are required for microcredit to produce improvements in tangible outcomes like household or business income.³ Empirical evaluations of microcredit impacts are typically complicated by classic endogeneity problems; e.g., client self-selection and lender strategy based on critical unobserved inputs like client opportunity sets, preferences, and risks.⁴

We generate clean variation in access to microcredit by working with a lender to randomly

¹ http://www.microcreditsummit.org/index.php?/en/about/microfinance_advocacy/.

² See Karlan and Morduch (2009).

³ There is also some evidence that psychological biases can lead to “overborrowing” that does more harm than good; see Zinman (2009) for a brief review.

⁴ Prior studies have used various methodologies to address endogeneity problems; see, e.g., Coleman (1999), Kaboski and Townsend (2005), McKernan (2002), Morduch (1998), Pitt et al (2003), and Pitt and Khandker (1998). One newer study of note examines the intensive impact margin of a government program, by using a program in Thailand that delivered a fixed amount of money to a village regardless of the number of individuals in the village (Kaboski and Townsend 2009).

approve some microenterprise loans within a pool of marginally creditworthy, first-time applicants. We then use an extensive follow-up survey to measure a wide range of impacts on households and their businesses.

The setting for our study is very much second generation microcredit: individual liability loans, delivered by First Macro Bank (“FMB,” or the “Lender”), a for-profit lender that operates in the outskirts of Manila and receives implicit subsidies to expand access to microentrepreneurs from a USAID-funded program (e.g., in the form of technical assistance).⁵ Our study is the first randomized evaluation with such a firm, and complements a contemporaneous randomized evaluation of group lending in urban Indian slums by the non-profit microfinance institution Spandana (Banerjee et al. 2009), and our earlier study of expanding access to consumer loans in South Africa (Karlán and Zinman forthcoming).

The expansion we study changed borrowing outcomes, despite the existence of other formal and informal borrowing options in the markets where the expanding lender operates. “Treated” applicants (those randomly assigned a loan) significantly increase their formal sector borrowing. There is no evidence of significant effects on informal borrowing, but the point estimates are negative. The effects on total borrowing (sum of all types of formal and informal) are not significant but consistent with effect sizes on the order of the increases we find in our more precise estimates on formal borrowing.

The impacts of FMB’s credit expansion on more ultimate outcomes are varied, diffuse, and surprising in many respects. Business investment does not increase; rather, we find some evidence that the size and scope of treated businesses *shrink*. We do find some evidence that profits increase, at least for male borrowers, and the mechanism seems to be that treated businesses shed unproductive employees. One explanation is that increased access to credit reduces the need for favor-trading within family or community networks. This hypothesis is consistent with other treatment effects that are consistent with less short-term diversification and hedging, better access to risk-sharing, and more long-term investment in human capital. The likelihood of other household members working (either in family or outside businesses) falls, as does the likelihood of someone working overseas. The use of formal insurance falls, while trust in one’s neighborhood and access to emergency credit from friends and family increase (i.e., microcredit seems to *complement*, not crowd-out, informal mechanisms). The likelihood of a household member attending school increases. We find no evidence of

⁵ The program is administered by Chemonics, Microenterprise Access to Banking Services (MABS).

improvements in measures of self-reported well-being; if anything, the results point to a small overall *decrease*.

In all, we find that increased access to microcredit leads to less investment in the targeted business, to substitution away from labor and into education, and to substitution away from insurance (both explicit/formal, and implicit/informal) even as overall access to risk-sharing mechanisms increases. Thus although microcredit does have important— and potentially salutary— economic effects in our setting, the effects are not those advertised by the “microfinance movement”. Rather the effects seem to work through interactions between credit access and risk-sharing mechanisms that are often viewed as second- or third-order by theorists, policymakers, and practitioners. At least in a second-generation setting, microcredit seems to work broadly through risk management and investment at the household level, rather than directly through the targeted businesses.

A final set of key findings suggests that treatment effects are stronger for groups that are not typically targeted by microcredit initiatives: male, and relatively high-income, borrowers. The gender split is interesting because although microlenders typically target female entrepreneurs, recent evidence finds higher returns to capital for men (de Mel, McKenzie, and Woodruff 2008; de Mel, McKenzie, and Woodruff forthcoming). The income split is interesting because many consider poverty targeting an important criteria for microfinance (e.g., USAID has a Congressional requirement to allocate a proportion of funding to programs that reach the poor). Although we do not address the question of whether microcredit can help the poorest of the poor — our sample frame are microentrepreneurs, but wealthier than average for the Philippines — the fact that we find little evidence of effects on those with lower-income within our sample frame does not bode well for arguments that impact is biggest on those who are poorer. The overall picture of our results also questions the wisdom of targeting microentrepreneurs to the exclusion of “consumers.”. Money is fungible, and we find that entrepreneurs do not necessarily invest loan proceeds in growing their businesses. Limiting microcredit access to entrepreneurs may forgo opportunities to improve human capital and risk-sharing for non-microentrepreneurs (Karlan and Zinman forthcoming finds direct evidence that salaried workers benefit from microloans).

II. Market and Lender Overview

Our cooperating Lender, First Macro Bank (FMB), has operated as a rural bank in the Metro Manila region of the Philippines since 1960. Filipino “microlenders” include both for-

profit and nonprofit lenders offering small, short-term, uncollateralized credit with fixed repayment schedules to microentrepreneurs. Interest rates are high by developed-country standards: FMB charges 63% APR on its standard product for first-time borrowers. There is also a similar market segment for consumer loans.

Most Filipino microlenders operate on a small scale relative to microfinance institutions (MFIs) in the rest of Asia,⁶ and our lender is no exception. FMB maintained a portfolio of approximately 1,400 individual and 2,000 group borrowers throughout the course of the study. This portfolio represents a small fraction of its overall lending, which also includes larger business and consumer loans, and home mortgages.

Microloan borrowers typically lack the credit history and/or collateralizable wealth needed to borrow from traditional institutional sources such as commercial banks. This holds for our sample-- which is only marginally creditworthy by the standards of a microlender, as detailed in Section III— despite the fact that our subjects are better educated and wealthier than average. Table 1 provides some demographics on our sample frame, relative to the rest of Manila and the Philippines.

Casual observation suggests that many microentrepreneurs in our study population face binding credit constraints. Credit bureau coverage of microentrepreneurs in the Philippines is quite thin, so building a credit history is difficult for poor business owners and consumers. Informal credit markets and serial borrowing from moneylenders charging 20% per month or more is common (e.g., more than 30% of our sample reported borrowing from moneylenders during the past year). Trade credit is quite uncommon. There are several microlenders operating in Metro Manila, but most MFIs operate on a small scale (as noted above) and charge high rates (see below).

The loan terms granted in this experiment were the Lender's standard ones for first time borrowers. Loan sizes range from 5,000 to 25,000 pesos, which is small relative to the fixed costs of underwriting and monitoring, but substantial relative to borrower income. For example, the median loan size made under this experiment, 10,000 pesos (US\$400) was 37% of the median borrower's net monthly income. Loan maturity is 13 weeks, with weekly repayments. The monthly interest rate is 2.5%, charged over the declining balance. Several upfront fees combine with the interest rate to produce an annual percentage rate of around

⁶ In *Benchmarking Asian Microfinance 2005*, the Microfinance Information eXchange (MIX) reports that Filipino microlenders have the lowest outreach in the region – a median of 10,000 borrowers per MFI.

60%.⁷

The Lender conducted underwriting and transactions in its branch network. At the onset of this study, FMB changed its risk assessment process from one based on weekly credit committee meetings to one that utilized computerized credit scoring.

Delinquency and default rates are substantial. 19.0% of the loans in our sample paid late at some point, and 4.6% were charged off.

III. Methodology

Our research design uses credit scoring software to randomize the approval decision for marginally creditworthy applicants, and then uses data from household/business surveys to measure impacts on credit access and several classes of more ultimate outcomes of interest. The survey data is collected by a firm, hired by the researchers, that has no ties to the Lender.

A. Experimental Design and Implementation

i. Overview

We drew our sample frame from the universe of several thousand applicants who applied at eight of the Lender's nine branches between February 10, 2006 and November 16, 2007.⁸ The branches are located in the provinces of Rizal, Cavite, and the National Capital Region. The Lender maintained normal marketing procedures by having loan officers canvass public markets and hold group information sessions for prospective clients.

Our sample frame is comprised of 1,601 marginally creditworthy applicants, nearly all (1,583) of whom were first-time applicants to the Lender. Table 1 provides some summary statistics, from application data, on our sample frame. The table shows that our sample is largely female (85%), has a typical household size, and is relatively well-educated (93% graduated high school or more) and wealthy compared to local and national averages (average household income of \$770 per month). The most common business is a sari-sari (small grocery/convenience) store. Other common businesses are food vending, and services (e.g., auto and tire repair, water supply, tailoring, barbers and salons). Table 1 does not contain sample means for each dependent variable we use for measuring impact of access to microcredit; these means can be found in the tables on treatment effects.

⁷ The Lender also requires first-time borrowers to open a savings account and maintain a minimum balance of 200 pesos.

⁸ One branch was removed from the study when it was discovered that loan officers had eliminated the randomization component of the credit scoring software.

The Lender identified marginally creditworthy applicants using a credit scoring algorithm that places roughly equal emphasis on business capacity, personal financial resources, outside financial resources, personal and business stability, and demographic characteristics. Credit bureau coverage of our study population is very thin, and our Lender does not use credit bureau information as an input into its scoring. Scores range from 0 to 100, with applicants scoring below 31 rejected automatically and applicants scoring above 59 approved automatically. Our 1,601 marginally creditworthy applicants fall into two randomization “windows”: low (scores 31-45, with 60% probability of approval, N =256) and high (scores 46-59, with 85% probability of approval, N = 1,345). Only the Lender’s Executive committee was informed about the details of the algorithm and its random component, so the randomization was “double-blind” in the sense that neither loan officers (nor their direct supervisors) nor applicants knew about assignment to treatment versus control.

Table 2 corroborates that the random treatment assignments generated observably similar treatment and control groups. In total, 1,272 applicants were assigned to the treatment (loan approval) group, leaving 329 in the control (loan rejection) group.

The motivation for experimenting with credit access on a pool of marginal applicants is twofold. First, it focuses on those who are targeted by initiatives to expand access to credit. Second, (randomly) approving some marginally creditworthy applicants generates data points on the lender’s profitability frontier that will feed into revisions to the credit scoring model. This allows the lender to manage risk best, by controlling the flow of their more marginal clients in terms of creditworthiness.

ii. Details on Experimental Design and Operations

Our sample frame and treatment assignments were created in the flow of the Lender’s three-step credit scoring process (summarized in Figure 1).

First, loan officers screened potential applicants on the “Basic Four Requirements”: 18-60 years old; in business for at least one year; in residence for at least one year if owner or at least three years if renter; and daily income of at least 750 pesos. 2,158 applicants passed this screen.

Second, loan officers entered household and business information on those 2,158 into the credit scoring software, and the software then rendered its application disposition within seconds. 391 applications received scores in the automatic approval range. 166 applications received scores in the automatic rejection range. The remaining 1,601 applicants had scores in

one of the two randomization windows (approve with 60% or 85% probability), and comprise our sample frame. 1,272 marginal applicants were assigned “approve”, and 329 applicants were assigned “reject”. The software simply instructed loan officers to approve or reject—it did not display the application score or make any mention of the randomization. Neither loan officers, branch managers, nor applicants were informed about the credit scoring algorithm or its random component.

The credit scoring software’s decision was contingent on complete verification of the application information, so the third step involved any additional due diligence deemed necessary by the loan officer or his supervisor. Verification steps include visits to the applicant’s home and/or business, meeting with neighborhood officials, and checking references (e.g., from other lenders). If loan officers found discrepancies they updated the information in the credit scoring software, and in some cases the software changed its decision from approve to reject (nevertheless in all cases we use the software’s *initial* assignment, from Step 2, to estimate treatment effects). In other cases applicants decided not to go forward with completing the application, or completed the application successfully but did not avail the loan.

In all, there were 351 applications assigned out of the 1,272 assigned to treatment that did *not* ultimately result in a loan. Conversely, there were 5 applications assigned to the control (rejected) group that *did* receive a loan (presumably due to loan officer noncompliance or clerical errors). Table 3 shows all of the relevant tabs, separately for each randomization window. In all cases we use the *original* treatment assignment from Step 2 to estimate treatment effects; i.e., we use the random *assignment* to loan approval or rejection, rather than the ultimate disposition of the application, and thereby estimate intention-to-treat effects.

As detailed in Section II, the loans made to marginal applicants were based on the Lender’s standard terms for first-time applicants. Loan repayment was monitored and enforced according to normal operations.

B. Follow-up Data Collection and Analysis Sample

Following the experiment, we hired researchers from a local university to organize a survey of all 1,601 applicants in the treatment and control groups.⁹ The stated purpose of the survey was to collect information on the financial condition and well-being of

⁹ Midway through the survey effort, Innovations for Poverty Action staff replaced the survey firm’s management team but retained local surveyors.

microentrepreneurs and their households. As detailed below, the surveyors asked questions on business condition, household resources, demographics, assets, household member occupation, consumption, well-being, and political and community participation.

In order to avoid potential response bias in the treatment relative to control groups, neither the survey firm nor the respondents were informed about the experiment or any association with the Lender. Surveyors completed 1,113 follow-up surveys, for a 70% response rate. Table 2, Column 2 shows that survey completion was not significantly correlated with treatment assignment.

Ninety-nine percent of the surveys were conducted within eleven to twenty-two months of the date that the applicant entered the experiment by applying for a loan and being placed in the pool of marginally creditworthy applicants. The mean number of days between treatment and follow-up is 411; the median is 378 days; and the standard deviation is 76 days.

C. Estimating Intention-to-Treat Effects

We estimate intention-to-treat effects for each individual outcome Y using the specification:

$$(1) \quad Y_i^k = \alpha + \beta^k \text{assignment}_i + \delta \text{risk}_i + \phi \text{APP_WHEN}_i + \gamma \text{SURVEY_WHEN}_i + \varepsilon_i$$

k indexes different outcomes— e.g., number of formal sector loans in the month before the survey, total household income over the last year, value of business inventory, etc.-- for applicant i (or i 's household). $\text{Assignment}_i = 1$ if the individual was initially *assigned* to treatment (regardless of whether they actually received a loan). Risk_i captures the applicant's credit score window (low or high); the probability of assignment to treatment was conditional on this (set to either 0.60 or 0.85, depending on their credit score), and thus it is necessary to include this as a control variable in all specifications. APP_WHEN is a vector of indicator variables for the month and year in which the applicant entered the experiment and SURVEY_WHEN is a vector of indicator variables for the month and year in which the survey was completed. These variables control flexibly for the possibility that the lag between application and survey is correlated with both treatment status and outcomes.¹⁰ We estimate (1) using ordinary least squares (OLS) unless otherwise noted.

¹⁰ This could occur if control applicants were harder to locate (e.g., because we could not provide updated contact information to the survey firm), and had poor outcomes compared to the treatment group (e.g., because they did not obtain credit).

IV. Results

A. Reading the Treatment Effect Tables

Tables 4 through 11 present our key estimated treatment effects on borrowing, business outcomes, and other outcomes. Each table is organized the same way, with each row an outcome or summary index of related outcomes, and each column either the full sample or a subsample. Each cell presents the intention-to-treat effect on that outcome or index, i.e., the coefficient on a variable that equals one if the applicant was randomly *assigned* to receive a loan. We also present the (sub)-sample mean for the outcome in each cell, in brackets, for descriptive and scaling purposes.

Each column presents results for a different (sub)-sample. Column 1 uses the full sample, and columns 2 through 5 use sub-samples based on gender and income, since these characteristics are commonly used for targeting microcredit. For the income sub-samples we use a measure taken by the Lender at the time of application (i.e., at the time of treatment, not at the time of follow-up outcome measurement).

B. Impacts on Borrowing Levels and Composition, Table 4

Table 4 presents the estimated treatment effects on various measures of borrowing. The key questions here are whether being randomly assigned a loan from our Lender affects overall borrowing, and borrowing composition. Ex-ante the impacts are not obvious, given the prevalence of other lenders in the market as described in Section II.

The first panel of Table 4 shows large increases in borrowing on loan types plausibly most directly affected by the treatment: loans from the Lender, or from close substitutes.¹¹ The probability of having any such loan in the month before the survey increases by 9.6 percentage points in the treatment relative to control group, on a sample mean of only 14.5 percentage points. The total original principal amount of loans outstanding increase 2,156 pesos. This is a large effect in percentage terms (83% of the sample mean) and equates to about \$50 US or 10% of our sample's monthly income. The number of loans increases by 0.11, a 72% increase of the sample mean of 0.15.

The second panel of Table 4 presents results on overall formal sector borrowing. There is

¹¹ We define "close substitutes" to the treating lender as loans in the amount of 50,000 pesos or less (since the treating lender did not make loans larger than 25,000 pesos to first-time borrowers), from formal sector lenders with no collateral or group requirements that listed as either a rural bank or microlender by the MIX Market and/or Microfinance Council of the Philippines.

no significant effect on any reported borrowing in the month before the survey,¹² but amount borrowed and the number of loans increase by roughly the same amount as in the first panel. This suggests that increases in formal sector borrowing are driven entirely by loans like the Lender's, and that the treatment did not crowd-in other types of formal sector borrowing like collateralized loans. This could be due to credit constraints, or because unsecured and secured loans are neither complements nor substitutes for our sample. Note that we again ignore loans larger than 50,000 pesos (thereby throwing out the largest 1% of formal sector loans), and here this restriction has some effect on the results: Appendix Table 2 shows that including all formal sector loans flips the sign and eliminates the significant treatment effect on loan amount. The effect on the number of loans get a bit weaker but remains significant at the 90% level.

The third panel of Table 4 presents results on informal loans: those from friends and family, moneylenders, and borrowing circles. The point estimates are all negative, but do not indicate statistically significant decreases in informal debt outstanding in the month before the survey.¹³ As discussed below, any reduction in informal borrowing seems to be the result of borrower choice rather than market constraints: Table 9 provides evidence that the treatment actually sharply *increased* access to informal borrowing.

The final panel of Table 4 presents results on overall borrowing. Relative to the formal sector categories, the standard errors increase, and the point estimates decrease, so there are no statistically significant results. This is most likely due to a lack of precision (caused in part by adding noise from unaffected loan types), rather than a true null result of not finding statistically or economically meaningful increases in overall borrowing.

Indeed, all of the above estimated treatment effects on borrowing are probably biased downward by borrower underreporting. More than half of respondents known, from the Lender's data, to have a loan outstanding from the Lender in the month before the survey, do not report having a loan from the Lender (Appendix Table 3). Nearly half do not report *any* outstanding formal sector loan.¹⁴ Prior evidence suggests that this level underreporting of unsecured debt is common in household surveys (Copestake et al. 2005; Karlan and Zinman 2008; Jonathan Zinman 2009). Debt underreporting will bias the treatment effects on

¹² The survey also collects some, albeit less detailed, information on borrowing over the last 12 months. We present these results in Appendix Table 1.

¹³ Appendix Table 1 shows a statistically significant decrease in the likelihood of any informal sector loan over the last 12 months.

¹⁴ Conversely, only 3% of households reported having a loan outstanding from the Lender that did not appear in the Lender's administrative data.

borrowing outcomes downward if underreporting is more severe in levels in the treatment than in the control group.¹⁵

In all, the results on borrowing outcomes suggest that the treatment had some meaningful effects on borrowing. There is robust evidence that households who were assigned loans from the Lender shifted their borrowing composition towards formal sector loans like those offered by Lender. There is some evidence that this shift produced an overall increase in formal sector borrowing. We cannot rule out significant increases in overall borrowing, and our ability to detect (larger) effects on all of the borrowing outcomes are probably biased downward by respondent underreporting of debt. We find some evidence that borrowing increases are larger for males than for females, and for lower-income than for higher-income households.

C. Business Outcomes and Inputs, Table 5

As discussed at the outset, the theory and practice of microcredit posit a broad set of treatment effects that are of more ultimate interest than those on borrowing. Given that most microlenders (including ours) target microentrepreneurs, we start with measures of business activity.

Panel A presents intention-to-treat-effects on business “outcomes”. Profit is arguably the most important outcome, as it is arguably the closest thing we have to a summary statistic on the success of the business and its ability to generate resources for the household. The full sample point estimate on last month’s profits is positive and nontrivial in magnitude, but not statistically significant: a roughly \$50 US increase, compared to a sample mean of about \$500.¹⁶ Dropping the top and bottom percentile of profit reports from the sample (including 96 zeros) leaves the point estimate essentially unchanged, and reduces the standard error so that the p-value drops to 0.123. The point estimate on log profits is 0.05, but with standard error

¹⁵ This will happen even if both groups underreport in the same proportion, so long as the treatment group obtains more loans in actuality. This is easiest to see by considering the limiting cases. Say 50% of the treatment group and 0% in the control group obtain loans. If only half of those obtaining loans report them, the true treatment effect is 50 percentage points, but the estimated treatment effect is only 25 percentage points. Now say 100% of the treatment group and 50% of the control group obtains loans. If only half of those obtaining loans report them (as assumed in the first case), then the true treatment effect is $100 - 50 = 50$ percentage points, while the estimated treatment effect will be only $100 * 0.5 - 50 * 0.5 = 25$ percentage points.

¹⁶ We measure profits using the response to the question: “What was the total income each business earned during the past month after paying all expenses including wages of employees, but not including any income or goods paid to yourself? In other words, what were the profits of each business during the past month?” Including salary paid to the owner/operator does not materially change our measure of profits (this measure is correlated 0.97 with the measure based only on the profits question), or our estimates of treatment effects thereon.

0.10.¹⁷

The fact that microfinance often targets women, and the results in de Mel, McKenzie, and Woodruff (2008), suggest that it is important to explore gender differences in profitability. Our Columns 2 and 3 in Table 5 show some evidence that is broadly in lines with de Mel et al. Profits increase for men, but less so and not statistically significantly for women. Each of the three profit point estimates for men are large, and statistically significant with at least 90% confidence. Each of the three point estimates for women are smaller and not statistically significant. However, if analyzed in one regression with an interaction term on female and treatment, the differences between the male and female profitability estimates are not significant at 90%. Furthermore, the small sample does not permit us to analyze whether the difference in returns for men and women is driven by social status, household bargaining, occupation/entrepreneurial choice, etc. Lastly, note that Table 4 suggests that larger profits may be an indicator of larger treatment effects on borrowing, rather than of higher returns to capital, for men.

The results by income suggest that effects on profits may be larger for those with relatively high incomes (Column 4 vs. Column 5). This is noteworthy in part because Table 4 suggests that treatment effects on borrowing are actually larger for lower-income households.¹⁸ Taken together the results in Table 4 and 5 suggest that returns to capital are higher for higher-income borrowers.

Table 5 Panel A also presents results on another key business outcome, total revenues. The point estimates for all three functional forms are negative, but imprecisely estimated.

Table 5 Panel B presents results for several measures of business “inputs” that, along with sales, we think of as proxies for the level and scope of business investment. The point estimates on inventory are imprecisely estimated, and sensitive to functional form. The other results here are surprising in that they point to decreases in the number of businesses,¹⁹ and in the number of helpers in businesses owned by the household. The reduction in helpers is driven by paid (and non-household-member) employees.

In all, Table 5 suggests that treated microentrepreneurs used credit to re-optimize business

¹⁷ We do not find any significant correlations between treatment status and (non)response to the profit question.

¹⁸ Appendix Table 3 suggests that the larger effects on borrowing for relatively low-income households may be due in part to more severe debt underreporting by relatively high-income households.

¹⁹ The likelihood of any reported business activity in the household is quite high, 0.93 in the full sample, which is not surprising since the sample frame is composed entirely of people who had been in business for at least one year at the time of application. We do not find any treatment effect on the likelihood of any business activity.

investment in a way that produced smaller, lower-cost, and more profitable businesses. Profits increase in an absolute sense, suggesting that many microentrepreneurs employ workers with negative net productivity, and raising the question of why (and in particular, of why access to credit led them to reduce employment and increase profits). The various results relating to risk management suggest an explanation that we discuss below (in sub-section G, and in the Conclusion).

D. Human Capital and Occupational Choice, Table 6

Table 6 presents estimated treatment effects on various types of human capital. The first row indicates no effect on the likelihood that the owner/operator has a second job. The second row shows a large but insignificant decrease in the likelihood that a household member helps in a family business. The next two rows show that household member employment in other businesses drops (significantly and sharply for households with a male applicant). The last row suggests that instead of work, more children are now in school: the likelihood of enrollment increases significantly ($p\text{-value} = 0.061$) in the male sub-sample. In all, the results suggest that (male) microentrepreneurs use loan proceeds to invest in human capital of their children, rather than in capital specific to their businesses.

E. Non-Inventory Fixed Assets, Table 7

The possibility remains that our focus on inventory and labor inputs has overlooked fixed-capital investments in the business. Table 7 helps examine this, and does not find evidence of such investments. The first two rows present estimated treatment effects on the purchase or sale of many different types of non-inventory assets. We did not ask surveyors or respondents to distinguish between assets used for business or household production, given the nature of the non-inventory assets (computers, stoves, refrigerators, vehicles), and the closely-held nature of the businesses being studied. We do not find any significant effects in the full sample. The next rows present estimated treatment effects on surveyor observations of proxies for other types of investment. We find no full sample effects on building materials (wall, ceiling, or floor). The surveyor also recorded whether she observed a phone on the premises, and we do not find an effect on that either.

Again, however, the absence of full sample effects should not obscure some potentially important heterogeneity. The quality of building materials drops significantly for treated males compared to controls. This suggests the treated males were reducing capital investment by

deferring maintenance, or by replacing worn-out roofs/walls/floors with lower-quality materials. Similarly, lower-income treated applicants have lower-quality roof material (the point estimates on the other two materials are also negative), and are also significantly less likely to have a phone. In all these results suggest that increased access to credit may lead some microentrepreneurs to re-optimize into lower level of capital inputs into their businesses.

F. Other Household Investments and Risk Management, Table 8

Table 8 presents treatment effects on the use of formal insurance, and on two other precautionary “investments” that plausibly relate to risk management: savings, and sending remittances.

The results on formal insurance suggest that increased access to credit induces changes in risk management strategies. The effect on the likelihood of having health insurance is negative and insignificant in the full sample, with large and significant decreases in the male and higher-income sub-samples. The treatment effect on having any other insurance (life, home, property, fire, and car) is negative and significant in the full sample, with no evident differences across the sub-samples. The reductions in formal insurance are consistent with credit and formal insurance being substitutes, and/or with formal and informal insurance being substitutes; as documented directly below (Table 9), we find evidence of positive treatment effects on access to informal risk-sharing.

We do not find any significant effects on savings and remittance outcomes, although our confidence intervals include large effects on either side of zero.

G. Informal Risk-Sharing: Trust and Informal Access, Table 9

Table 9 presents treatment effects that plausibly relate to informal risk-sharing.

The first four outcomes are measures of local trust (Cleary and Stokes 2006). The point estimates are positive on three out of the four measures (indicating more trust), and the increase on “trust in your neighborhood” is significant. Effects again seem to be stronger for males and higher-income applicants.

The next set of results point to increased access to financial assistance from friends or family in an emergency. We find no effects on the extensive margin (on a very high likelihood of being able to get any assistance: 0.9), but large and significant effects on the intensive margin: the ability to get 10,000 pesos of, or unlimited, assistance. Again, the effects are

largest for male and higher-income respondents.²⁰

In all this table suggests that increased access to formal sector credit complements, rather than crowds-out, local and family risk-sharing mechanisms. Treated microentrepreneurs have more places to turn for formal and informal credit in a pinch, and consequently rely less on formal sector insurance (Table 8). They may also rely less on informal insurance; the reduced likelihood of employing unproductive workers suggested by Table 5 may be an indicator of this. The drop in outside employment at the household level (Table 6) can be interpreted in a similar vein, as reduced reliance on diversification.

H. Household Income and Consumption, Table 10

Table 10 examines whether any business profit increase (Table 5) translates into income and consumption changes. We look at four different functional forms of total household income and do not find any evidence that it increases, although our confidence intervals are wide. Nor do we find any significant effects on two key measures of consumption: food quality, and the likelihood of not visiting a doctor due to financial constraints. These "non-results" could be due to a combination of the earlier noted effects: business profits increased, but outside employment decreased (with an increase in school attendance and perhaps related expenditures), thus leading to no change in total household income or consumption.

I. Well-Being, Table 11

Table 11 presents treatment effects on nine different measures of the self-reported well-being, based on responses to standard batteries of questions on optimism, calmness, (lack of) worry, life satisfaction, work satisfaction, job stress, decision making power, and socio-economic status (see Karlan and Zinman forthcoming for more details on these questions and their sources). In all cases higher values indicate better outcomes. We find no evidence of significant treatment effects on any of the individual measures. Examining sub-samples, we find only one effect: an increase in stress (i.e., a negative point estimate) for men.²¹ Overall, nearly all of the point estimates are negative, however, and aggregating the nine outcomes into

²⁰ Our results on other subjective questions suggest that the positive effects on trust and perceived access to financial assistance are *not* due to the treatment group being artificially sanguine in response to subjective questions. The average treatment effect on subjective well-being is *negative* (Table 11).

²¹ Fernald, Hamad, Karlan, Ozer, and Zinman (2008) also find that increased access to produces higher stress, in South Africa.

a summary index (Karlan and Zinman forthcoming; Kling, Liebman, and Katz 2007) leads to a marginally significant (p -value = 0.079) decrease for the full sample. The implied effect size is small: a 0.06 standard deviation decrease in the average well-being outcome.

V. Conclusion

Theories marshaled in support of microcredit expansion assume that small businesses are credit constrained, and predict that expanding access to microcredit will lead to business growth. Other theories show that expanding access to formal credit may have indirect but potentially important effects on risk-management strategies and opportunities. We test these theories, and estimate a broader set of impacts of a microcredit expansion, using a randomized trial implemented by a bank in Metro Manila.

The first key result is that individuals assigned to the treatment group did borrow more than those in the control group, i.e., those rejected by this lender did not simply borrow from somewhere else. This expanded use of credit then drives our results on more ultimate outcomes.

The first surprising result is that marginally creditworthy microentrepreneurs who randomly receive credit *shrink* their businesses relative to the control group. The treatment group also reports increased *access* to informal credit to absorb shocks (contrary to theories where formal credit may unintentionally crowd-out risk sharing arrangements by making it difficult to for those with better formal access to commit to reciprocation, e.g. see Conning and Udry (2005)). We also find that access to credit substitutes for formal insurance.

We find two other noteworthy results. First, following de Mel et al (2008, forthcoming), we find some evidence that expanding access to capital (credit in our case) increases profits for male but not for female microentrepreneurs. Males seem to use these increased profits to send a child to school (and we find an accompanying decrease in household members employed outside the family business). Second, we find no evidence that increased access to credit improves well-being, as many microcredit advocates claim; rather, we find some evidence of a small *decline* in self-reported well-being.

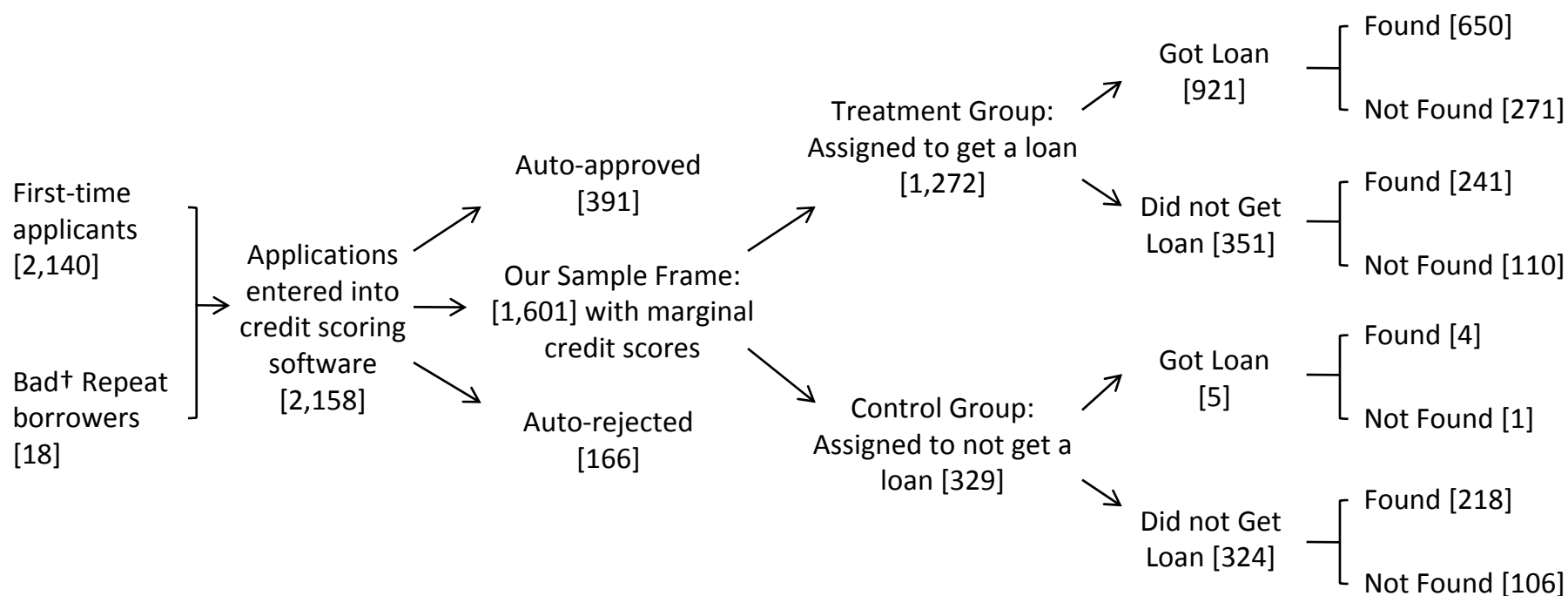
The results here have several implications. They provide tests of broad classes of theories, as noted above. They call into question the wisdom of microcredit policies that target women and microentrepreneurs to the exclusion of men and wage-earners. They highlight the importance of replicating tests of theories and programs across different settings. And they support the hypothesis that the household financial arrangements in developing countries are

complex (Collins et al. 2009), and hence that it is important to measure impacts on a broad set of behaviors, opportunity sets, and outcomes. Business outcomes are not a sufficient statistic for household welfare, nor even necessarily the locus of the biggest impacts of changing access to financial services.

REFERENCES

- Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan. 2009. The miracle of microfinance? Evidence from a randomized evaluation. Working paper.
- Cleary, Matthew R., and Susan Carol Stokes. 2006. *Democracy and the Culture of Skepticism: Political Trust in Argentina and Mexico*. Russell Sage Foundation Publications, January 30.
- Coleman, Brett. 1999. The Impact of Group Lending in Northeast Thailand. *Journal of Development Economics* 60: 105-141.
- Collins, Daryl, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven. 2009. *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press.
- Conning, Jonathan, and Christopher Udry. 2005. Rural Financial Markets in Developing Countries. In *The Handbook of Agricultural Economics*, ed. R.E. Evenson, P. Pingali, and T.P. Schultz, Vol 3, Agricultural Development: Farmers, Farm Production, and Farm Markets: Vol. 3.
- Copestake, J., P. Dawson, J-P Fanning, A. McKay, and K. Wright-Revolledo. 2005. Monitoring Diversity of Poverty Outreach and Impact of Microfinance: A Comparison of Methods Using Data From Peru. *Development Policy Review* 23, no. 6: 703-723.
- Fernald, Lia, Rita Hamad, Dean Karlan, Emily Ozer, and Jonathan Zinman. 2008. Small Individual Loans and Mental Health: A Randomized Controlled Trial among South African Adults. *BMC Public Health* 8, no. 1: 409-.
- Kaboski, J., and R. Townsend. 2005. Policies and Impact: An Analysis of Village-Level Microfinance Institutions. *Journal of the European Economic Association* 3, no. 1 (March): 1-50.
- Kaboski, Joseph, and Robert Townsend. 2009. The Impact of Credit on Village Economies. *working paper*.
- Karlan, Dean, and Morduch, Jonathan. 2009. Access to Finance. In *Handbook of Development Economics*, 5: Vol. 5. edited by Dani Rodrik Mark Rosenzweig. Elsevier.
- Karlan, Dean, and Jonathan Zinman. Forthcoming. Expanding Credit Access: Using Randomized Supply Decisions to Estimate the Impacts. *Review of Financial Studies*.
- . 2008. Lying About Borrowing. *Journal of the European Economic Association Papers and Proceedings* 6, no. 2-3 (August).
- Kling, Jeffrey, Jeffrey Liebman, and Lawrence Katz. 2007. Experimental Analysis of Neighborhood Effects. *Econometrica* 75, no. 1 (January): 83-120.
- McKernan, S.-M. 2002. The Impact of Microcredit Programs on Self-Employment Profits: Do Noncredit Program Aspects Matter? *Review of Economics and Statistics* 84, no. 1 (February): 93-115.
- de Mel, Suresh, David McKenzie, and Christopher Woodruff. Are women more credit constrained? Experimental evidence on gender and microenterprise returns. *American Economic Journal: Applied Economics*: forthcoming.
- . 2008. Returns to Capital: Results from a Randomized Experiment. *Quarterly Journal of Economics* 123, no. 4: 1329-1372.
- Morduch, Jonathan. 1998. Does microfinance really help the poor? New evidence on flagship programs in Bangladesh. Working paper.
- Pitt, M., and S. Khandker. 1998. The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter? *Journal of Political Economy* 106, no. 5 (October): 958-96.
- Pitt, M., S. Khandker, O.H. Chowdhury, and D. Millimet. 2003. Credit Programs for the Poor and the Health Status of Children in Rural Bangladesh. *International Economic Review* 44, no. 1 (February): 87-118.
- Zinman, J. 2009. Restricting Consumer Credit Access: Household Survey Evidence on Effects Around the Oregon Rate Cap. Working paper. March.
- Zinman, Jonathan. 2009. Where is the missing credit card debt? Clues and implications. *Review of Income and Wealth* 55, no. 2: 249-265.

Figure 1. Sample Construction



† “Bad” defined as too many unexcused missed payments.

Possible Reasons for “Did not Get Loan” if Assigned to Treatment Group:

- Could not find suitable co-borrower;
- Discrepancies between self-provided application information and reality;
- Simply chose not to avail a loan at last minute;
- Prevented from availing loan by Account Officer (deemed unlikely due to anecdotal evidence and structure of incentive scheme).

Table 1. Demographics

| | Our Sample Frame | | | | | | Metro Manila | Philippines |
|---|------------------|-----------|--|-----------|--|-----------|--------------|-------------|
| | All (N = 1,601) | | Applicants with 60% chance of approval (N = 256) | | Applicants with 80% chance of approval (N = 1,345) | | All | All |
| | Mean | Median | Mean | Median | Mean | Median | Mean | Mean |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Applicant is female | 85% | - | 86% | - | 85% | - | | |
| Applicant is married | 78% | - | 53% | - | 82% | - | | |
| Age of applicant | 42.1 | 42.0 | 41.8 | 42.0 | 42.1 | 42.0 | | |
| Education level of applicant | | | | | | | | |
| Primary | 2% | - | 3% | - | 2% | - | 26% | 43% |
| Some High School | 4% | - | 7% | - | 4% | - | | |
| Graduated High School | 34% | - | 45% | - | 32% | - | 37% | 31% |
| Some College | 24% | - | 20% | - | 25% | - | | |
| Graduated College | 35% | - | 24% | - | 37% | - | 32% | 18% |
| Household size | 5.1 | 5.0 | 5.0 | 5.0 | 5.1 | 5.0 | 5.0 | 5.0 |
| Number of dependents | 2.28 | 2 | 2.29 | 2 | 2.28 | 2 | | |
| Applicant owns a sari-sari (corner) store | 49% | - | 55% | - | 48% | - | | |
| Monthly household income | PhP64,866 | PhP37,500 | PhP58,239 | PhP35,000 | PhP65,979 | PhP38,000 | PhP25,917 | PhP14,417 |
| Number of businesses owned by household | 1.15 | 1 | 1.20 | 1 | 1.14 | 1 | | |
| Applicant's business has employees | 25% | - | 17% | - | 26% | - | | |

Source for data on sample frame: Lender's application data

Sources for Manila and Philippines population:

Median income - <http://www.census.gov.ph/data/sectordata/2006/fies0601r.htm>

Education & household size - www.measuredhs.com

Exchange rate was approximately 50 PhP = \$1 USD during our sample period.

Table 2. Orthogonality of Treatment to Applicant Characteristics

| Mean (dependent variable) | Dependent Variable: | | |
|--|-----------------------------|---------------------|-----------------------------|
| | <i>I = Loan Assigned</i> | <i>I = Surveyed</i> | <i>I = Loan Assigned</i> |
| | frame | frame | surveyed=1 |
| | 0.795 | 0.695 | 0.801 |
| | (1) | (2) | (3) |
| Female | 0.059** (0.028) | | 0.053 (0.037) |
| Marital status -- Married | -0.004 (0.037) | | -0.006 (0.048) |
| Marital Status -- Widowed / separated | 0.003 (0.046) | | 0.056 (0.057) |
| Number of dependents | -0.002 (0.007) | | -0.002 (0.008) |
| Age of applicant | 0.000 (0.001) | | 0.000 (0.002) |
| Education -- Some college | -0.001 (0.025) | | -0.026 (0.031) |
| Education -- Graduated high school | -0.020 (0.025) | | -0.010 (0.029) |
| Education -- Some high school | -0.031 (0.060) | | 0.008 (0.063) |
| Education -- Elementary school | 0.008 (0.070) | | 0.052 (0.073) |
| Primary business location -- Poblacion | 0.016 (0.028) | | 0.036 (0.033) |
| Primary business location -- Public market | -0.013 (0.033) | | 0.007 (0.041) |
| Primary business property arrangement -- Lease | 0.013 (0.039) | | 0.018 (0.053) |
| Primary business property arrangement -- Rent | -0.009 (0.027) | | -0.024 (0.034) |
| Primary business type -- Small grocery/convenience store | -0.029 (0.028) | | 0.001 (0.034) |
| Primary business type -- Wholesale | 0.023 (0.043) | | -0.006 (0.059) |
| Primary business type -- Service | 0.004 (0.035) | | 0.017 (0.043) |
| Primary business type -- Manufacturing (not food processing) | -0.133* (0.078) | | -0.186* (0.100) |
| Primary business type -- Food vending | -0.028 (0.038) | | -0.029 (0.047) |
| No regular employees in primary business | 0.028 (0.031) | | 0.003 (0.039) |
| One regular employee in primary business | 0.047 (0.037) | | 0.028 (0.048) |
| Log of years primary business in business | 0.011 (0.014) | | -0.017 (0.016) |
| Log of net weekly cash flow | 0.000 (0.013) | | -0.006 (0.015) |
| Randomized loan decision | | 0.004 (0.030) | |
| Test linear hypotheses of independent variables (Probability > F) | F(22, 1576) = 0.67 0.875 | | F(22, 1089) = 0.71 0.836 |
| Number of Observations | 1600 | 1601 | 1113 |

OLS with Huber-White standard errors in parentheses -- * significant at 10%; ** significant at 5%; *** significant at 1%. Sample frame contains 1,601 marginal applicants eligible for the treatment (i.e., for loan approval). One observation dropped from column (1) due to primary business having been in business for zero years. Each column represents the dependent variable listed in the column heading regressed on a set of covariates comprised of: 1) the right-hand-side variables listed in the row headings; 2) a dummy variable to differentiate between the lower and upper random approval rates (60% and 85%). 'Single' is the omitted marital status category. 'College graduate' is the omitted educational attainment variable. 'Barangay [neighborhood]' is the omitted primary business location variable. 'Own' is the omitted primary business property arrangement. 'Other retail' is the omitted primary business type variable.

Table 3. Treatment Assignment and Treatment Status**Panel A. Entire Sample of Randomized Subjects**

| | Full sample | | | 60% treatment probability | | 85% treatment probability | |
|--------------------------|---------------|-----------|----------------------|---------------------------|------|---------------------------|------|
| | Loan Made? | Frequency | "Compliance" rate | "Compliance" | | "Compliance" | |
| | (1) | (2) | (3) | Frequency | rate | Frequency | rate |
| Randomizer says to: | | | | (4) | (5) | (6) | (7) |
| Reject | no | 324 | | 114 | | 210 | |
| Reject | yes | 5 | 0.98 | 1 | 0.99 | 4 | 0.98 |
| total assigned Reject | | 329 | | 115 | | 214 | |
| Approve | yes | 921 | | 81 | | 840 | |
| Approve | no | 351 | 0.72 | 60 | 0.57 | 291 | 0.74 |
| total assigned Approve | | 1272 | | 141 | | 1131 | |
| total reached for survey | | 1601 | | 256 | | 1345 | |

Panel B. Those Subjects Reached for Survey

| | Full sample | | | 60% treatment probability | | 85% treatment probability | |
|--------------------------|---------------|-----------|----------------------|---------------------------|------|---------------------------|------|
| | Loan Made? | Frequency | "Compliance" rate | "Compliance" | | "Compliance" | |
| | (1) | (2) | (3) | Frequency | rate | Frequency | rate |
| Randomizer says to: | | | | (4) | (5) | (6) | (7) |
| Reject | no | 218 | | 72 | | 146 | |
| Reject | yes | 4 | 0.98 | 1 | 0.99 | 3 | 0.98 |
| total assigned Reject | | 222 | | 73 | | 149 | |
| Approve | yes | 650 | | 50 | | 600 | |
| Approve | no | 241 | 0.73 | 38 | 0.57 | 203 | 0.75 |
| total assigned Approve | | 891 | | 88 | | 803 | |
| total reached for survey | | 1113 | | 161 | | 952 | |

Sample includes everyone reached for follow-up survey (Table 2 shows that being reached is uncorrelated with treatment assignment). "Compliance" rate does not have normative meaning; it simply refers to the proportion of application dispositions that matched the random assignment. Noncompliance with "approve" assignment was due to one of two unobservable reasons: 1) branch did *not* approve the loan despite the credit scoring software's instruction to approve; 2) branch *did* approve the loan, but the applicant ultimately chose not to take it.

Table 4: Intention-to-Treat Effects on Borrowing in Month Before Survey

| | All | Female | Male | Above median income | Below median income |
|--|---------------------------------------|---------------------------------------|--|---------------------------------------|--|
| | (1) | (2) | (3) | (4) | (5) |
| FORMAL SECTOR LOANS FROM TREATING LENDER OR CLOSE SUBSTITUTES | | | | | |
| Any outstanding loan <= 50,000 pesos | 0.096*** (0.022) [0.145] | 0.078*** (0.026) [0.149] | 0.163*** (0.045) [0.122] | 0.105*** (0.034) [0.150] | 0.084*** (0.030) [0.139] |
| Level loan size for loans <=50,000 pesos | 2,155.95*** (435.58) [2,585.90] | 1,790.57*** (490.89) [2,529.72] | 3,107.73*** (988.21) [2,908.54] | 2,911.40*** (741.68) [3,188.07] | 1,172.90*** (404.95) [1,983.73] |
| Number of loans <=50,000 pesos | 0.108*** (0.024) [0.151] | 0.090*** (0.028) [0.155] | 0.164*** (0.046) [0.128] | 0.121*** (0.038) [0.157] | 0.088*** (0.030) [0.145] |
| ALL FORMAL SECTOR LOANS | | | | | |
| Any outstanding loan <= 50,000 pesos | 0.015 (0.038) [0.408] | 0.003 (0.043) [0.419] | 0.089 (0.088) [0.341] | -0.003 (0.056) [0.394] | 0.048 (0.054) [0.421] |
| Level loan size for loans <=50,000 pesos | 2,344.58** (920.87) [7,202.26] | 1,979.24* (1,056.14) [7,371.87] | 4,321.26** (1,675.83) [6,228.05] | 1,968.02 (1,553.80) [7,706.51] | 3,006.18*** (946.55) [6,698.01] |
| Number of loans <=50,000 pesos | 0.094** (0.045) [0.445] | 0.081 (0.052) [0.466] | 0.151* (0.086) [0.323] | 0.070 (0.069) [0.427] | 0.132** (0.060) [0.463] |
| ALL INFORMAL SECTOR LOANS | | | | | |
| Any outstanding loan <= 50,000 pesos | -0.036 (0.035) [0.246] | -0.036 (0.039) [0.241] | -0.025 (0.084) [0.274] | -0.064 (0.053) [0.253] | -0.006 (0.049) [0.239] |
| Level loan size for loans <=50,000 pesos | -786.03 (728.76) [3,161.48] | -570.26 (777.11) [2,891.83] | -1,296.70 (2,224.04) [4,710.37] | -1,345.64 (1,255.21) [3,907.78] | -390.37 (692.15) [2,415.19] |
| Number of loans <=50,000 pesos | -0.011 (0.042) [0.273] | -0.008 (0.046) [0.268] | -0.013 (0.103) [0.305] | -0.052 (0.061) [0.284] | 0.032 (0.057) [0.262] |
| ALL LOAN TYPES | | | | | |
| Any outstanding loan <= 50,000 pesos | 0.003 (0.039) [0.538] | -0.008 (0.044) [0.550] | 0.045 (0.094) [0.470] | -0.048 (0.056) [0.528] | 0.061 (0.056) [0.548] |
| Level loan size for loans <=50,000 pesos | 1,525.85 (1,236.80) [10,456.78] | 1,367.62 (1,392.07) [10,372.93] | 3,024.56 (2,954.26) [10,938.41] | 590.88 (2,099.08) [11,778.12] | 2,625.81** (1,202.42) [9,135.44] |
| Number of loans <=50,000 pesos | 0.066 (0.066) [0.733] | 0.053 (0.075) [0.752] | 0.138 (0.138) [0.628] | -0.009 (0.098) [0.734] | 0.164* (0.089) [0.732] |
| Number of Observations | 1106 | 942 | 164 | 553 | 553 |

OLS with Huber-White standard errors in parentheses -- * significant at 10%; ** significant at 5%; *** significant at 1% -- followed by the mean of the dependent variable in brackets. Each cell presents the estimate intention-to-treat effect (i.e., the result on the treatment assignment variable) for the borrowing outcome in that row, and the (sub)-sample in that column. All results are conditional on the randomization conditions (credit score cut-offs), application month, application year, survey month, and survey year. "Formal" sector loans are defined as loans from commercial, thrift, and rural banks (including mortgages), lending organizations, NGOs, cooperatives, and employers (including salary advances). "Informal" sector loans are defined as loans from paluwagans (savings groups), bombays (moneylenders), 5-6ers (borrow 5, repay 6), family, and friends. "All" loan types are defined as formal and informal sector loans, plus loans from pawnshops. "Close substitutes" to the treating lender are defined as formal sector lenders with no collateral or group requirements, listed as either a rural bank or microlender by the MIX Market and/or Microfinance Council of the Philippines.

Table 5: Intention-to-Treat Effects on Business Outcomes and Inputs**Panel A. Business Outcomes**

| | All | Female | Male | Above median income | Below median income |
|---|---|--|---|--|---|
| | (1) | (2) | (3) | (4) | (5) |
| Total Profit in All Household Businesses in Month Before Survey: Profit Directly Reported | 2,482.57 (2,114.02) [17,074.62] 1,058 | 2,225.37 (2,407.01) [16,622.81] 898 | 12,665.61* (7,642.53) [19,610.35] 160 | 4,795.85 (3,700.34) [21,807.33] 529 | 680.30 (2,338.35) [12,341.91] 529 |
| Total Profit in All Household Businesses in Month Before Survey: Profit Directly Reported (trim top and bottom percentiles) | 2,340.28 (1,515.42) [16,945.48] 942 | 2,623.66 (1,787.34) [16,725.04] 798 | 7,363.89* (3,792.71) [18,167.06] 144 | 4,488.16** (2,215.95) [19,543.59] 483 | 126.14 (2,163.64) [14,211.52] 459 |
| Log of Total Profit in All Household Businesses in Month Before Survey: Profit Directly Reported | 0.052 (0.096) [9.178] 952 | 0.054 (0.110) [9.142] 807 | 0.370* (0.205) [9.378] 145 | 0.115 (0.130) [9.349] 490 | 0.017 (0.147) [8.996] 462 |
| Total Sales in All Household Businesses in Month Before Survey | -4,312.06 (7,008.00) [57,319.51] 1,070 | -756.70 (7,811.85) [56,822.15] 910 | -10,083.69 (16,312.34) [60,148.28] 160 | -2,471.65 (11,417.31) [72,459.45] 537 | -3,689.99 (8,192.00) [42,065.95] 533 |
| Total Sales in All Household Businesses in Month Before Survey (trim top and bottom percentiles) | -3,025.70 (6,333.55) [56,691.95] 971 | 1,885.65 (6,843.71) [55,597.53] 827 | -16,803.87 (16,173.31) [62,977.26] 144 | -244.54 (9,011.81) [66,293.45] 500 | -4,502.10 (9,064.00) [46,499.27] 471 |
| Log of Total Sales in All Household Businesses in Month Before Survey | -0.017 (0.101) [10.389] 981 | 0.045 (0.111) [10.361] 836 | -0.076 (0.228) [10.551] 145 | -0.008 (0.150) [10.531] 509 | 0.005 (0.134) [10.237] 472 |

Panel B. Business Inputs

| | | | | | |
|---|---|---|---|---|---|
| Total Current Market Value of Inventory in All Household Businesses | -10,913.01 (15,736.38) [43,572.77] 1,026 | -12,789.48 (18,852.11) [39,185.56] 877 | 1,742.90 (28,541.58) [69,395.46] 149 | -29,714.05 (30,374.65) [59,300.97] 518 | 5,628.68 (10,374.67) [27,534.96] 508 |
| Total Current Market Value of Inventory in All Household Businesses (trim top and bottom percentiles) | 788.92 (7,072.32) [36,594.43] 868 | 3,748.44 (6,118.18) [30,894.93] 742 | 9,397.44 (29,748.70) [70,158.13] 126 | 4,037.93 (11,287.38) [47,344.36] 442 | -5,227.20 (7,902.10) [25,440.75] 426 |
| Log of Total Current Market Value of Inventory in All Household Businesses | 0.039 (0.152) [9.278] 878 | 0.077 (0.166) [9.243] 751 | 0.207 (0.469) [9.483] 127 | 0.090 (0.226) [9.525] 450 | -0.059 (0.206) [9.019] 428 |
| Number of Businesses in Household | -0.102* (0.060) [1.282] 1,113 | -0.062 (0.061) [1.287] 948 | -0.277 (0.172) [1.255] 165 | -0.073 (0.073) [1.282] 556 | -0.139 (0.100) [1.282] 557 |
| Number of Helpers in All Household Businesses | -0.261* (0.134) [1.051] 1,104 | -0.156 (0.137) [1.022] 939 | -0.645 (0.411) [1.212] 165 | -0.451** (0.223) [1.298] 551 | -0.111 (0.140) [0.805] 553 |
| Number of Paid Helpers (not Including In-kind Contributions) in All Household Businesses | -0.273** (0.123) [0.698] 1,113 | -0.248* (0.130) [0.659] 948 | -0.276 (0.321) [0.921] 165 | -0.397* (0.208) [0.953] 556 | -0.181 (0.124) [0.443] 557 |
| Number of Unpaid Helpers (not Including In-kind Contributions) in All Household Businesses | 0.028 (0.071) [0.312] 1,113 | 0.106* (0.058) [0.315] 948 | -0.367 (0.290) [0.297] 165 | -0.059 (0.115) [0.291] 556 | 0.097 (0.082) [0.334] 557 |

* p<0.10, ** p<0.05, *** p<0.01. Each cell presents the OLS estimate on the variable for 1= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets. Number of observations is listed below mean. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. To determine profits, we asked: "What was the total income each business earned during the past month after paying all expenses including wages of employees, but not including any income or goods paid to yourself? In other words, what were the profits of each business during the past month?"

Table 6: Intention-to-Treat Effects on Other Human Capital and Occupational Choice

| | All | Female | Male | Above median income | Below median income |
|--|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Business Owner/Operator has Second Job Outside the Business | -0.006 (0.029) [0.176] 1,113 | -0.001 (0.031) [0.160] 948 | -0.065 (0.085) [0.267] 165 | -0.025 (0.043) [0.178] 556 | 0.011 (0.039) [0.174] 557 |
| Any Household Member Helping in Family Business | -0.058 (0.039) [0.525] 1,113 | -0.058 (0.044) [0.505] 948 | -0.001 (0.096) [0.636] 165 | -0.066 (0.054) [0.588] 556 | -0.036 (0.056) [0.461] 557 |
| Any Household Member Employed Outside the Family Business | -0.047 (0.039) [0.527] 1,113 | -0.022 (0.044) [0.540] 948 | -0.230** (0.096) [0.455] 165 | -0.078 (0.055) [0.480] 556 | -0.019 (0.056) [0.575] 557 |
| Any Overseas Foreign Workers in Household | -0.013 (0.019) [0.058] 1,113 | -0.004 (0.021) [0.062] 948 | -0.060 (0.050) [0.036] 165 | 0.002 (0.023) [0.043] 556 | -0.028 (0.033) [0.074] 557 |
| Any Students in Household | -0.014 (0.033) [0.758] 1,113 | -0.043 (0.035) [0.763] 948 | 0.168* (0.089) [0.733] 165 | -0.051 (0.045) [0.764] 556 | 0.017 (0.049) [0.752] 557 |

* p<0.10, ** p<0.05, *** p<0.01. Each cell presents the OLS estimate on the variable for 1= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets. Number of observations is listed below mean. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. Lower randomization window corresponds to a 60% probability of assignment to treatment. Higher randomization window corresponds to 85%

Table 7: Intention-to-Treat Effects on Non-Inventory Fixed Assets

| | All | Female | Male | Above median income | Below median income |
|---|---------------------------------------|-------------------------------------|--|-------------------------------------|---------------------------------------|
| Purchased Any Assets in 12 Months Prior to Survey | 0.023 (0.033) [0.245] 1,104 | 0.034 (0.037) [0.252] 940 | -0.033 (0.080) [0.207] 164 | 0.088* (0.047) [0.265] 551 | -0.037 (0.048) [0.226] 553 |
| Sold Any Assets in 12 Months Prior to Survey | -0.014 (0.020) [0.070] 1,095 | -0.021 (0.022) [0.068] 931 | 0.032 (0.057) [0.085] 164 | -0.020 (0.029) [0.062] 546 | -0.013 (0.028) [0.078] 549 |
| Wall Material is Finished Concrete (omitted: semi- or unfinished concrete, wood, plain GI sheet, salvaged or scrap materials, and bamboo) | 0.014 (0.039) [0.536] 1,113 | 0.044 (0.043) [0.531] 948 | -0.155* (0.091) [0.570] 165 | 0.072 (0.056) [0.558] 556 | -0.059 (0.055) [0.515] 557 |
| Floor Material is Marble or Finished Concrete (omitted: ceramic or vinyl tiles, unfinished concrete, wood, earth, sand, and bamboo) | -0.013 (0.036) [0.687] 1,113 | 0.038 (0.040) [0.684] 948 | -0.219*** (0.076) [0.709] 165 | 0.032 (0.051) [0.701] 556 | -0.071 (0.052) [0.673] 557 |
| Roof Material is Concrete Slab or Metal Sheet (omitted: tiles, salvaged or scrap, and other) | -0.010 (0.027) [0.872] 1,113 | 0.021 (0.031) [0.868] 948 | -0.138*** (0.052) [0.891] 165 | 0.041 (0.039) [0.879] 556 | -0.080** (0.036) [0.864] 557 |
| Owens a Phone (landline and/or cell phone) | -0.040 (0.029) [0.828] 1,079 | -0.041 (0.031) [0.826] 919 | 0.019 (0.066) [0.838] 160 | 0.016 (0.041) [0.838] 544 | -0.090** (0.041) [0.817] 535 |

* p<0.10, ** p<0.05, *** p<0.01. Each cell presents the OLS estimate on the variable for 1= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets. Number of observations is listed below mean. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. Lower randomization window corresponds to a 60% probability of assignment to treatment. Higher randomization window corresponds to 85% probability of assignment to treatment.

Table 8: Intention-to-Treat Effects on Other Household Investments and Risk Management

| | All | Female | Male | Above median income | Below median income |
|-----------------------------------|---|-------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|
| Any Health Insurance | -0.035 (0.038) [0.644] 1,112 | -0.014 (0.043) [0.645] 947 | -0.185** (0.092) [0.636] 165 | -0.117** (0.052) [0.640] 555 | 0.039 (0.057) [0.648] 557 |
| Any Other Type of Insurance | -0.079** (0.039) [0.436] 1,105 | -0.070 (0.043) [0.433] 942 | -0.121 (0.095) [0.454] 163 | -0.101* (0.056) [0.473] 552 | -0.071 (0.055) [0.400] 553 |
| Any Savings in Household | 0.002 (0.039) [0.600] 1,108 | -0.008 (0.043) [0.597] 944 | 0.059 (0.096) [0.616] 164 | 0.072 (0.055) [0.656] 552 | -0.088 (0.054) [0.545] 556 |
| Any Remittances Sent by Household | 0.009 (0.034) [0.235] 1,106 | -0.015 (0.038) [0.237] 942 | 0.096 (0.073) [0.226] 164 | -0.033 (0.049) [0.245] 554 | 0.050 (0.047) [0.225] 552 |

* p<0.10, ** p<0.05, *** p<0.01. Each cell presents the OLS estimate on the variable for 1= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets. Number of observations is listed below mean. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. Lower randomization window corresponds to a 60% probability of assignment to treatment. Higher randomization window corresponds to 85% probability of assignment to treatment.

Table 9: Intention-to-Treat Effects on Trust & Informal Access

| | All | Female | Male | Above median income | Below median income |
|---|---|--------------------------------------|--------------------------------------|--|--------------------------------------|
| <i>Ordered Probit</i> | | | | | |
| Trust that you would not be taken advantage of you (1= People would take advantage, 10= People would be fair) | -0.060 (0.082) [7.596] 1,107 | -0.087 (0.092) [7.584] 943 | 0.056 (0.183) [7.665] 164 | 0.023 (0.113) [7.569] 552 | -0.163 (0.118) [7.623] 555 |
| Trust in your neighborhood (-4 = No trust, -1 = Complete trust) | 0.209** (0.090) [-2.147] 1,110 | 0.186* (0.099) [-2.153] 945 | 0.382* (0.215) [-2.109] 165 | 0.511*** (0.132) [-2.141] 554 | -0.036 (0.119) [-2.153] 556 |
| Trust in people you know personally (-4 = No trust, -1 = Complete trust) | 0.036 (0.093) [-1.899] 1,110 | -0.007 (0.102) [-1.903] 945 | 0.255 (0.222) [-1.879] 165 | 0.219* (0.133) [-1.917] 554 | -0.121 (0.130) [-1.881] 556 |
| Trust in your business associates (-4 = No trust, -1 = Complete trust) | 0.101 (0.089) [-2.179] 1,105 | 0.066 (0.101) [-2.178] 942 | 0.300 (0.188) [-2.184] 163 | 0.157 (0.131) [-2.185] 551 | 0.048 (0.122) [-2.173] 554 |
| <i>OLS</i> | | | | | |
| Could get financial assistance from family or friends in an emergency. | 0.010 (0.027) [0.895] 995 | -0.005 (0.030) [0.889] 844 | 0.087 (0.068) [0.934] 151 | 0.020 (0.037) [0.902] 499 | 0.002 (0.042) [0.889] 496 |
| Could get 10,000 pesos-worth of financial assistance from family or friends in an emergency. | 0.102*** (0.040) [0.447] 995 | 0.084* (0.044) [0.447] 844 | 0.168* (0.100) [0.450] 151 | 0.168*** (0.058) [0.517] 499 | 0.047 (0.055) [0.377] 496 |
| Could get unlimited financial assistance from family or friends in an emergency. | 0.090** (0.035) [0.322] 995 | 0.071* (0.040) [0.322] 844 | 0.161* (0.086) [0.318] 151 | 0.130** (0.053) [0.351] 499 | 0.057 (0.048) [0.292] 496 |

* p<0.10, ** p<0.05, *** p<0.01. For the first four outcome measures -- all relating to trust -- each cell presents the ordered probit estimate on the variable for 1=assigned a loan. For the last two outcome measures and the summary index, each cell presents the OLS estimate on the variable for 1= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets, followed by the number of observations. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. Lower randomization window corresponds to a 60% probability of assignment to treatment. Higher randomization window corresponds to 85% probability of assignment to treatment.

Table 10: Intention-to-Treat Effects on Household Income and Consumption

| | All | Female | Male | Above median income | Below median income |
|--|---|---|---|--|---|
| Total Income in Household in Last Month | -3,574.05 (7,287.46) [64,447.18] 1,085 | -1,043.00 (8,282.06) [65,302.00] 925 | -11,652.46 (14,542.11) [59,505.25] 160 | 551.72 (12,647.67) [79,993.06] 536 | -5,238.25 (7,951.41) [49,269.42] 549 |
| Total Income in Household in Last Month (trim top and bottom percentiles) | -35.03 (5,966.72) [60,569.57] 1,052 | 3,591.43 (6,589.83) [60,556.82] 895 | -14,941.27 (15,227.09) [60,642.29] 157 | 7,087.84 (8,800.49) [71,342.96] 514 | -5,590.14 (8,208.28) [50,276.78] 538 |
| Log of Total Income in Household in Last Month | -0.078 (0.086) [10.525] 1,062 | -0.046 (0.095) [10.515] 905 | -0.188 (0.208) [10.576] 157 | -0.051 (0.134) [10.676] 524 | -0.104 (0.110) [10.378] 538 |
| Household Is Above Poverty Line | 0.019 (0.024) [0.904] 1,078 | 0.020 (0.027) [0.900] 919 | 0.036 (0.056) [0.925] 159 | 0.019 (0.036) [0.909] 530 | 0.007 (0.033) [0.898] 548 |
| Any Remittances Received by Household | -0.001 (0.038) [0.346] 1,107 | -0.024 (0.042) [0.359] 943 | 0.037 (0.089) [0.268] 164 | 0.054 (0.052) [0.338] 554 | -0.061 (0.055) [0.354] 553 |
| Food Quality Has Improved in the Last 12 Months | 0.002 (0.040) [0.497] 1,113 | -0.006 (0.044) [0.491] 948 | 0.104 (0.103) [0.533] 165 | -0.016 (0.057) [0.514] 556 | 0.020 (0.056) [0.479] 557 |
| No One in Household Prevented from Visiting Doctor Due to Financial Constraints | -0.002 (0.032) [0.793] 1,088 | 0.009 (0.036) [0.790] 926 | -0.095 (0.074) [0.809] 162 | 0.002 (0.047) [0.789] 540 | 0.002 (0.042) [0.797] 548 |

* p<0.10, ** p<0.05, *** p<0.01. Each cell presents the OLS estimate on the variable for I= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets. Number of observations is listed below mean. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. Lower randomization window corresponds to a 60% probability of assignment to treatment. Higher randomization window corresponds to 85% probability of assignment to treatment.

Table 11: Intention-to-Treat Effects on Subjective Well-Being Measures

| | All | Female | Male | Above median income | Below median income |
|--|---|--------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| Optimism (Scale: 6-30, low-to-high) | -0.123 (0.229) [22.216] 1,105 | 0.073 (0.251) [22.164] 940 | -0.809 (0.555) [22.515] 165 | -0.296 (0.317) [22.437] 551 | 0.033 (0.340) [21.996] 554 |
| Calmness (Scale: 1-6, low-to-high) | -0.075 (0.095) [2.499] 1,095 | -0.105 (0.107) [2.473] 932 | 0.150 (0.237) [2.644] 163 | -0.063 (0.140) [2.488] 543 | -0.067 (0.136) [2.509] 552 |
| No Worry (1 = Has not had a month in the past year during which respondent felt mostly worried) | -0.007 (0.038) [0.566] 1,094 | 0.001 (0.043) [0.561] 931 | -0.084 (0.094) [0.595] 163 | 0.060 (0.055) [0.565] 542 | -0.050 (0.054) [0.567] 552 |
| Life Satisfaction (Scale: 1-4, 1=Not at All, 4=Very) | 0.016 (0.063) [2.827] 1,108 | -0.034 (0.068) [2.830] 943 | 0.159 (0.162) [2.806] 165 | 0.073 (0.093) [2.880] 552 | -0.034 (0.088) [2.773] 556 |
| Job Satisfaction (Scale: 1-10, low-to-high) | -0.012 (0.137) [6.615] 1102 | -0.068 (0.149) [6.599] 937 | 0.169 (0.355) [6.709] 165 | -0.022 (0.191) [6.658] 549 | 0.007 (0.201) [6.573] 553 |
| Job Stress (Scale: -12 to 0 : 0 = no stress, -12 = always stressed, tired, prevented from giving time to family/partner) | -0.190 (0.227) [-6.829] 1,062 | 0.042 (0.257) [-6.845] 902 | -0.993* (0.524) [-6.738] 160 | -0.369 (0.313) [-6.432] 528 | -0.024 (0.325) [-7.221] 534 |
| Decision Making Power (Scale: 0-26, low-to-high) | -0.233 (0.302) [10.384] 797 | -0.290 (0.360) [10.480] 665 | -0.033 (0.530) [9.902] 132 | -0.367 (0.437) [10.453] 393 | -0.033 (0.438) [10.317] 404 |
| Place on Socio-Economic Ladder Compared to Others in Village (1-10) | -0.077 (0.101) [5.690] 1110 | -0.050 (0.112) [5.684] 945 | -0.285 (0.259) [5.727] 165 | -0.058 (0.146) [5.803] 553 | -0.065 (0.144) [5.578] 557 |
| Place on Socio-Economic Ladder Compared to Others in Philippines (1-10) | -0.162 (0.122) [4.947] 1110 | -0.186 (0.134) [4.942] 945 | -0.146 (0.319) [4.976] 165 | -0.177 (0.170) [5.067] 553 | -0.127 (0.180) [4.828] 557 |
| Summary Index of above outcomes; coefficients in standard deviation units of average outcome | -0.053* (0.030) [-0.034] 1,113 | -0.046 (0.033) [-0.043] 948 | -0.108 (0.084) [0.022] 165 | -0.050 (0.043) [0.017] 556 | -0.042 (0.043) [-0.084] 557 |

* p<0.10, ** p<0.05, *** p<0.01. Each cell presents the OLS estimate on the variable for 1= assigned a loan. Huber-White standard errors in parentheses. Mean of the dependent variable in brackets. Number of observations is listed below mean. All regressions include controls for the probability of assignment to treatment (60% or 85%), survey month, survey year, application month, and application year. All sample restrictions based on application data. Lower randomization window corresponds to a 60% probability of assignment to treatment. Higher randomization window corresponds to 85% probability of assignment to treatment. "Has Employees" corresponds to having one or more full time salaried employees. Sample for decision making power scale is all individuals that are either "married & living with partner" or "not married, but living with partner" (excludes: "single," "divorced/separated," "not living with partner, but married," and "widowed"). Six cases respondents are excluded, for which responses are missing for all decision making questions.

Appendix Table 1. Intention-to-Treat Effects on Borrowing Over the Last 12 Months (compare to Table 4)

| Appendix Table A: Transition to Credit Access on Borrowing Over the Last 12 Months (Compare to Table 9) | | | | | |
|---|--------------------------------|---------------------------------|------------------------------|--------------------------------|-------------------------------|
| | Full Sample | In Last 12 Months Before Survey | | Income | |
| | | Gender | | High | Low |
| | | Female | Male | | |
| ALL FORMAL SECTOR LOANS | | | | | |
| Any outstanding loan | 0.014 (0.035) [0.741] | -0.005 (0.037) [0.760] | 0.110 (0.103) [0.636] | 0.004 (0.050) [0.740] | 0.038 (0.050) [0.743] |
| Number of loans | 0.278* (0.153) [1.991] | 0.294* (0.157) [2.077] | 0.051 (0.424) [1.494] | 0.178 (0.239) [1.994] | 0.409** (0.196) [1.987] |
| ALL INFORMAL SECTOR LOANS | | | | | |
| Any outstanding loan | -0.087** (0.040) [0.445] | -0.085* (0.044) [0.436] | -0.101 (0.100) [0.494] | -0.093 (0.057) [0.450] | -0.068 (0.057) [0.439] |
| Number of loans | -0.016 (0.286) [1.571] | 0.045 (0.311) [1.580] | -0.452 (0.614) [1.519] | -0.777** (0.360) [1.408] | 0.761* (0.429) [1.732] |
| ALL LOAN TYPES | | | | | |
| Any outstanding loan | -0.036 (0.024) [0.887] | -0.041* (0.025) [0.895] | -0.020 (0.068) [0.846] | -0.060** (0.028) [0.898] | -0.005 (0.039) [0.877] |
| Number of loans | 0.208 (0.331) [3.647] | 0.308 (0.352) [3.745] | -0.587 (0.821) [3.080] | -0.649 (0.445) [3.521] | 1.133** (0.483) [3.772] |
| Attempted to avail a loan but was denied | -0.064** (0.029) [0.051] | -0.058* (0.031) [0.049] | -0.107 (0.065) [0.220] | -0.099** (0.043) [0.080] | -0.035 (0.037) [0.068] |
| Number of Observations | 1102 | 940 | 162 | 549 | 553 |

OLS with Huber-White standard errors in parentheses -- * significant at 10%; ** significant at 5%; *** significant at 1% -- followed by the mean of the dependent variable in brackets. Each cell presents the estimate intention-to-treat effect (i.e., the result on the treatment assignment variable) for the borrowing outcome in that row, and the (sub)-sample in that column. All results are conditional on the randomization conditions (credit score cut-offs), application month, application year, survey month, and survey year. "Formal" sector loans are defined as loans from commercial, thrift, and rural banks (including mortgages), lending organizations, NGOs, cooperatives, and employers (including salary advances). "Informal" sector loans are defined as loans from paluwagans (savings groups), bombays (moneylenders), 5-6ers (borrow 5, repay 6), family, and friends. "All" loan types are defined as formal and informal sector loans, plus loans from pawnshops. "Close substitutes" to the treating lender are defined as formal sector lenders with no collateral or group requirements, listed as either a rural bank or microlender by the MIX Market and/or Microfinance Council of the Philippines. Survey did not collect loan amount for loans obtained in last 12 months, only for loans outstanding.

Appendix Table 2. Intention-to-Treat Effects on Borrowing, Including Loans >50,000 Pesos (compare to Table 4)

| | Full Sample | In Month Before Survey | | | |
|---|--|--|---|--|---------------------------------------|
| | | Gender | | Income | |
| | | Female | Male | High | Low |
| FORMAL SECTOR LOANS FROM TREATING LENDER OR CLOSE SUBSTITUTES | | | | | |
| Any outstanding loan | 0.095*** (0.023) [0.152] | 0.073*** (0.027) [0.155] | 0.162*** (0.047) [0.134] | 0.100*** (0.037) [0.163] | 0.089*** (0.030) [0.141] |
| Level loan size for loans | 2,028.08*** (727.01) [3,098.55] | 1,223.35 (817.43) [2,924.63] | 3,052.13* (1,556.42) [4,097.56] | 2,667.23** (1,344.72) [4,213.38] | 1,172.90*** (404.95) [1,983.73] |
| Number of loans | 0.107*** (0.025) [0.158] | 0.085*** (0.030) [0.161] | 0.163*** (0.049) [0.140] | 0.116*** (0.041) [0.170] | 0.094*** (0.031) [0.146] |
| ALL FORMAL SECTOR LOANS | | | | | |
| Any outstanding loan | -0.012 (0.039) [0.447] | -0.035 (0.043) [0.458] | 0.098 (0.089) [0.384] | -0.041 (0.056) [0.454] | 0.033 (0.055) [0.439] |
| Level loan size for loans | -12,897.48 (11,914.05) [17,375.86] | -19,209.21 (14,686.34) [18,382.48] | 9,141.22** (3,671.51) [11,593.90] | -32,661.53 (24,393.09) [21,778.84] | 7,169.05 (5,942.06) [12,972.88] |
| Number of loans | 0.080* (0.048) [0.496] | 0.044 (0.054) [0.515] | 0.215** (0.094) [0.390] | 0.044 (0.073) [0.503] | 0.129** (0.063) [0.490] |
| ALL INFORMAL SECTOR LOANS | | | | | |
| Any outstanding loan | -0.031 (0.036) [0.255] | -0.033 (0.039) [0.251] | -0.022 (0.084) [0.280] | -0.054 (0.053) [0.269] | -0.006 (0.049) [0.241] |
| Level loan size for loans | -185.48 (964.36) [4,147.02] | -123.23 (1,049.37) [3,889.70] | -745.53 (2,538.67) [5,625.00] | -37.57 (1,761.03) [5,770.34] | -286.94 (705.85) [2,523.69] |
| Number of loans | -0.004 (0.042) [0.285] | -0.001 (0.046) [0.280] | -0.009 (0.103) [0.311] | -0.039 (0.062) [0.304] | 0.034 (0.057) [0.266] |
| ALL LOAN TYPES | | | | | |
| Any outstanding loan | -0.008 (0.039) [0.577] | -0.033 (0.043) [0.590] | 0.086 (0.095) [0.590] | -0.066 (0.055) [0.591] | 0.056 (0.056) [0.564] |
| Level loan size for loans | -13,115.67 (11,950.08) [21,615.91] | -19,373.79 (14,717.77) [22,381.42] | 8,395.69* (4,957.05) [17,218.90] | -32,730.60 (24,470.65) [27,713.02] | 6,892.10 (5,984.25) [15,518.81] |
| Number of loans | 0.059 (0.067) [0.797] | 0.023 (0.076) [0.813] | 0.206 (0.142) [0.701] | -0.023 (0.101) [0.830] | 0.163* (0.091) [0.763] |
| Number of Observations | 1106 | 942 | 164 | 553 | 553 |

OLS with Huber-White standard errors in parentheses -- * significant at 10%; ** significant at 5%; *** significant at 1% -- followed by the mean of the dependent variable in brackets. Each cell presents the estimate intention-to-treat effect (i.e., the result on the treatment assignment variable) for the borrowing outcome in that row, and the (sub)-sample in that column. All results are conditional on the randomization conditions (credit score cut-offs), application month, application year, survey month, and survey year. "Formal" sector loans are defined as loans from commercial, thrift, and rural banks (including mortgages), lending organizations, NGOs, cooperatives, and employers (including salary advances). "Informal" sector loans are defined as loans from paluwagans (savings groups), bombays (loan sharks), 5-6ers (borrow 5, repay 6), family, and friends. "All" loan types are defined as formal and informal sector loans, plus loans from pawnshops. "Close substitutes" to the treating lender are defined as formal sector lenders with no collateral or group requirements, listed as either a rural bank or microlender by the MIX Market and/or Microfinance Council of the Philippines.

Appendix Table 3. Debt Underreporting

| | IN MONTH BEFORE THE SURVEY | | | | | |
|---------------------------------------|--|---|---|--|---|---|
| | Loan From Lender | | | Number of Loans From Lender | | |
| | Proportion Borrowing from Participating Lender, Self-report from Survey | Proportion Borrowing from Participating Lender, Administrative Data | T-test for Difference and (Standard Error) for Comparison of Proportions | Mean Number of Loans from Participating Lender, Survey Self- report | Mean Number of Loans from Participating Lender, Administrative Data | T-test for Difference (Standard Error) |
| All | 0.114 [1,106] | 0.243 [1,106] | 0.129 (0.012) | 0.116 [1,106] | 0.279 [1,106] | 0.164 (0.014) |
| Above Median Income | 0.127 [553] | 0.289 [553] | 0.163 (0.019) | 0.130 [553] | 0.325 [553] | 0.195 (0.022) |
| Below Median Income | 0.101 [553] | 0.197 [553] | 0.096 (0.015) | 0.101 [553] | 0.233 [553] | 0.132 (0.018) |
| Male Respondent | 0.122 [164] | 0.183 [164] | 0.061 (0.031) | 0.122 [164] | 0.195 [164] | 0.073 (0.033) |
| Female Respondent | 0.113 [942] | 0.254 [942] | 0.141 (0.013) | 0.115 [942] | 0.294 [942] | 0.179 (0.016) |
| Male Surveyor | 0.119 [730] | 0.232 [730] | 0.112 (0.015) | 0.122 [730] | 0.266 [730] | 0.144 (0.018) |
| Female Surveyor | 0.105 [372] | 0.263 [372] | 0.159 (0.020) | 0.105 [372] | 0.304 [372] | 0.199 (0.024) |
| Gender Matched: Respondent and Survey | 0.113 [453] | 0.238 [453] | 0.126 (0.018) | 0.113 [453] | 0.276 [453] | 0.163 (0.021) |
| Gender Mismatched | 0.116 [649] | 0.245 [649] | 0.132 (0.016) | 0.119 [649] | 0.280 [649] | 0.162 (0.019) |
| Male Respondent and Male Surveyor | 0.131 [122] | 0.164 [122] | 0.033 (0.035) | 0.131 [122] | 0.180 [122] | 0.049 (0.038) |
| Male Respondent and Female Surveyor | 0.098 [41] | 0.244 [41] | 0.146 (0.066) | 0.098 [41] | 0.244 [41] | 0.146 (0.066) |
| Female Respondent and Female Surveyor | 0.106 [331] | 0.266 [331] | 0.160 (0.022) | 0.106 [331] | 0.311 [331] | 0.205 (0.025) |
| Female Respondent and Male Surveyor | 0.117 [608] | 0.245 [608] | 0.128 (0.016) | 0.120 [608] | 0.283 [608] | 0.163 (0.020) |

Huber-White standard errors in parentheses. Four observations are dropped for surveyor gender-related measures due to missing information.